

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-2295/1	Introduction Number SB-165
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Description
 Tax-exempt accounts for qualified expenses incurred by individuals with disabilities and granting rule-making authority

Fiscal Effect

State:

- No State Fiscal Effect
- Indeterminate
 - Increase Existing Appropriations
 - Decrease Existing Appropriations
 - Create New Appropriations
- Increase Existing Revenues
- Decrease Existing Revenues
- Increase Costs - May be possible to absorb within agency's budget
 - Yes
 - No
- Decrease Costs

Local:

- No Local Government Costs
- Indeterminate
 - 1. Increase Costs
 - 2. Decrease Costs
 - 3. Increase Revenue
 - 4. Decrease Revenue
- Permissive Mandatory
 - Permissive Mandatory
 - Permissive Mandatory
 - Permissive Mandatory
- 5. Types of Local Government Units Affected
 - Towns
 - Counties
 - School Districts
 - Village
 - Others
 - WTCS Districts
 - Cities

Fund Sources Affected

Affected Ch. 20 Appropriations

- GPR
 FED
 PRO
 PRS
 SEG
 SEGS

Agency/Prepared By

Authorized Signature

Date

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5/22/2015

Fiscal Estimate Narratives

DOR 5/22/2015

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Assumptions Used in Arriving at Fiscal Estimate

Current federal law allows states to create Achieving a Better Life Experience (ABLE) accounts under which individuals may make contributions to tax-exempt savings accounts to pay for qualified expenses of designated beneficiaries with disabilities. The maximum amount that may be contributed to an account for a particular beneficiary each year is \$14,000, and the maximum total amount of contributions that may be made to such an account for that beneficiary is \$100,000.

Any gain that accumulates in an account is exempt from taxation, and amounts contributed to an account are tax deductible. In addition, any assets accumulated in the account may not be used to determine a beneficiary's eligibility for various state programs, such as long-term care programs and the family care partnership program.

Based on a federal estimate of the revenue loss attributable to the federal tax exemption for gains that accumulate in the accounts, the adjusted Wisconsin revenue loss for those gains is approximately \$20,000 in fiscal year 2016 and \$50,000 in fiscal year 2017.

This bill also allows for a state income tax deduction for contributions to the accounts. Assuming an annual rate of return of 5% on contributions, the interest exemption is consistent with annual contributions rising from \$6.4 million in fiscal year 2016 to \$13.3 million in fiscal year 2017. As a result, the fiscal effect of the deduction increases from \$310,000 in fiscal year 2016 to \$650,000 in fiscal year 2017.

Combining the estimated effects of the exemption on gains and the deduction for contributions, the bill reduces revenue by approximately \$330,000 in fiscal year 2016 and \$700,000 in fiscal year 2017.

Long-Range Fiscal Implications

An extended federal estimate, adjusted for Wisconsin purposes, is consistent with a long term revenue loss of \$5.9 million annually.

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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Description Tax-exempt accounts for qualified expenses incurred by individuals with disabilities and granting rule-making authority		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:		
Annualized Fiscal Impact on funds from:		
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$
Agency/Prepared By		
Authorized Signature		
Date		
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